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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 003671

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [IZ](#)
SUBJECT: PRT TIKRIT: PROVINCIAL BUDGET EXECUTION - SLOGGING
ALONG

Classified By: Steven Buckler, PRT Team Leader, for reasons 1.5 (b) and (d).

¶1. (U) This is a PRT Tikrit, Salah ad Din cable.

¶2. (C) SUMMARY. Uneven management skill among provincial and local Directors General (DGs), lack of qualified contractors, and a complex bureaucracy are among the key factors inhibiting the province from spending its capital budget allocations and getting projects completed - which is really the ultimate goal of the budget process. Given these obstacles, the province is slowly but surely moving along and at this point it has spent just over 15 percent of its 2007 capital budget. END SUMMARY.

Roadblocks to Project Completion

¶3. (C) Uneven management skill among provincial and local Directors General (DGs), lack of qualified contractors, and a complex bureaucracy are among the key factors inhibiting the province from spending its capital budget allocations and getting projects completed. One of the most difficult roadblocks is the lack of good managers at the local level. The PRT has difficulty in both identifying who local DGs are and in engaging those who nominally hold the job, but do not show up to work. Those who do show up are not always well qualified for their jobs.

¶4. (C) Contracting is also a huge hindrance to consistent budget execution and project completion. In conversations at both the local and provincial level, leaders tell the PRT that the practice of selling contracts causes lengthy delays in getting projects started and results in substandard, late, and or non existent projects. When contractors win jobs, they immediately "sell" the contract to another contractor. This practice should not be confused with subcontracting. The original winning bidder sells the contract and the responsibility for completing the work to another contractor, taking a cut of the contracts value. Some contracts change hands several times. By the time a contractor starts the job, he is months behind - especially if equipment (for example water pumps from Germany) needs to be ordered from overseas. In addition, after the contract is sold a number of times, the money actually available to the final contractor is less than needed to complete the project according to the scope of work.

¶5. (C) Another roadblock is the lengthy process in resolving disputed contract awards. Losing bidders must file a protest if they believe that they should have been awarded a contract. That process should take two weeks but the reality is it can be months before Deputy Governor Abdulla makes a final decision. (COMMENT: The Deputy Governor is a member of the dominant Al-Juboori tribe and the real power-broker in the province. That tribe, from its stronghold in Al Alam

receives a large share of contract awards. END COMMENT.) PRT has raised this issue with the Deputy Governor and he has promised to speed resolution of contract award disputes. PRTOFFS have also discussed various stalled projects one by one with the deputy governor. He asked the key players involved in specific projects for weekly updates in front of PRTOFFS. PRT will continue to press for getting money spent and projects done.

¶16. (C) Provincial officials have taken some steps to improve project tracking. In order to ensure that projects are completed according to the scope of work, the PRT has learned that a committee of officials visits each completed project and provides the contractor with a "punch list" of pending issues. Moving forward, this approach will ensure that completed projects are indeed complete prior to the final payment to the contractor.

The Numbers and How We get Them

¶17. (C) As of November 1, the Province has committed 90 percent of its 2007 budget and has actually dispersed about 15 percent. The PRT is confident that those numbers are accurate. The PRT works with an entity called the Project Coordination Cell (PCC) which is comprised of accountants, engineers and lawyers employed by the Provincial Government to provide oversight on the full spectrum of project management issues. The PRT suggested this approach as communication between and among the people responsible for getting projects done was extremely limited. As the PRT was the driving force for getting the PCC set up, we have complete access to project-related fiscal data. The PCC

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provides all project data, and more importantly bank account data which allow us to see very clearly how projects are progressing and how much money has actually been spent, as well as to reconcile the data with the money. PRTOFFS visit the PCC on a weekly basis to obtain the latest data.

¶18. (C) COMMENT: Given all of the obstacles to spending its capital budget, and in turn completing projects, the PRT has seen incremental improvement in Salah ad Din's budget execution. Local DGs are beginning to meet with their Provincial counterparts and the pace of disbursement has been picking up slowly. The PCC is beginning to make a difference as well; we are training them in more sophisticated management tools and they are making better use of their data. While progress is slow, the bottom line is that it is slow and improving. END COMMENT.

¶19. (U) For additional reporting from PRT Tikrit, Salah ad Din, please see our SIPRNET reporting blog: <http://www.intelink.sgov.gov/wiki/Tikrit>.
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